

G-011/M-92-1212 ORDER APPROVING PROPOSAL TO CHANGE DEMAND  
ENTITLEMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm  
Tom Burton  
Marshall Johnson  
Cynthia A. Kitlinski  
Dee Knaak

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by  
Peoples Natural Gas Company for  
Approval by the Minnesota Public  
Utilities Commission of a Change  
in Pipeline Demand Entitlements  
Due to Northern Natural Gas  
Company's New Services  
Restructuring Plan, Effective  
November 1, 1992

ISSUE DATE: August 30, 1993

DOCKET NO. G-011/M-92-1212

ORDER APPROVING PROPOSAL TO  
CHANGE DEMAND ENTITLEMENTS

**PROCEDURAL HISTORY**

On October 19, 1992, Peoples Natural Gas Company (Peoples or the Company) requested approval of its New Service's entitlement levels. Peoples did not ask for an increase in its overall level of entitlements but did request a slightly higher level of seasonal versus year-round contracts than it previously had.

On May 17, 1993, the Minnesota Department of Public Service (the Department) recommended approval of Peoples' proposal without modification.

On August 11, 1993, the Department advised Commission Staff that it was changing its recommendation because it was concerned about Peoples' proposal to assign Northern Natural Gas Company's (Northern's) "Reconciliation" adjustment and the "Canadian-As-Billed" charges to all of its commodity sales. Northern billed these as demand charges and the Department believes all of the other local distribution companies (LDCs) have treated these charges as demand costs. The Department would like to reserve this issue for consideration at a later time which would allow the Department to put its recommendation into writing and would give the Company a chance to respond.

On August 19, 1993, the Commission met to consider this matter.

## FINDINGS AND CONCLUSIONS

Peoples has re-aligned its entitlements under New Services to maintain a high degree of reliability. This re-alignment caused a 22.6 percent increase in demand costs for Peoples' firm customers. However, even with this increase Peoples' per Mcf demand charges for residential customers are lower than most other LDCs.

The Department's analysis shows that Peoples contracted for a high level of less expensive year-round (TF-12 Base) service without having to contract for any of the more expensive supplemental (TF-12 Variable) service. Peoples was also able to maximize its use of seasonal entitlements by contracting for the maximum amount of seasonal (TF-5) service that was available and was also able to negotiate a peak-season (TFX-3) entitlement for the 1992-93 contract year. The TFX-3 contract may or may not be renewable for 1993-94 but helped reduce costs during the 1992-93 contract year.

The Commission is concerned about the overall level of firm supply (SF) entitlements that Peoples contracted for during the 1992-93 gas year. The Company had 55,925 Mcf/day of firm supply (SF) entitlements. In proportion to its total firm transportation (TF and TFX) entitlements of 134,835 Mcf/day this was a level of 41.5 percent. In addition, Peoples used a higher percentage of pipeline supplied gas than any other LDC (with the exception of Interstate) during October and November of 1992. The Commission will request that the Department monitor the Company's use of pipeline gas during the 1993-94 contract year and alert the Commission if Peoples' gas costs appear to be too high or out of line with the other gas utilities in Minnesota.

The Commission also finds merit in the Department's concern regarding Peoples' proposal to assign Northern Natural Gas Company's (Northern's) "Reconciliation" adjustment and the "Canadian-As-Billed" charges to all of its commodity sales. The Commission will approve Peoples' conversion of its entitlements to New Services except for the issue of how the "Reconciliation" adjustment and the "Canadian-As-Billed" charges should be handled. The Commission will reserve this issue without prejudice for consideration at a later time.

In addition, the Commission will modify the proposal by adding the requirement that the Department monitor Peoples' use of pipeline and third-party gas supplies to ensure that appropriate decisions concerning the provision of swing service are made based on price and reliability.

ORDER

1. Peoples Natural Gas Company's (Peoples') proposal is approved, as modified in this Order. Specifically, the issue of how the "Reconciliation" adjustment and the "Canadian-As-Billed" charges should be handled is reserved without prejudice for consideration at another time.
2. The Department is directed to monitor Peoples' use of pipeline and third-party gas supplies during the 1993-94 contract year and alert the Commission if Peoples' gas costs appear to be too high or out of line with the other gas utilities in Minnesota.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Susan Mackenzie  
Acting Executive Secretary

(S E A L)